

SCHEDULE A

DRAFT ANNUAL BUDGET AND SUPPORTING DOCUMENTATION OF ALFRED NZO DISTRICT MUNICIPALITY

DRAFT ANNUAL BUDGET OF

ALFRED NZO DISTRICT

MUNICIPALITY

2017/18 TO 2019/20

MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CM	City Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kl	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

Part 1 – DRAFT Annual Budget

EXECUTIVE MAYOR, CLLR. S. MEHLOMAKHULU'S POLICY SPEECH DURING TABLING OF THE DRAFT 2017/18 IDP/BUDGET OF THE ALFRED NZO DISTRICT MUNICIPALITY TO THE SITTING OF ORDINARY COUNCIL MEETING HELD AT MBIZANA COUNCIL CHAMBER ON THE 31 MARCH 2017

Honourable Speaker of the Council

Chief Whip of the Council and Whippery

Deputy Executive Mayor

Members of the Mayoral Committee

Chairperson of MPAC

Councillors

Traditional leaders

Board Members of ANDA

Chairperson of the Audit Committee

Municipal Manager

Senior Managers and Managers

Alfred Nzo Development Agency CEO

All our officials present here today

Iindwendwe nabahlali

Oonondaba bethu

Friends and Comrades

Madam Speaker and the Council, we have just concluded the month of March which is commemorated in South Africa as Human Rights Month, this year it is celebrated under the theme: “***The year of OR Tambo: Unity in Action in Advancing Human Rights***” to raise awareness and promote respect for basic human rights.

The theme for this year's human rights is in line with the centenary celebrations that are taking place throughout the country and the world to mark a significant milestone in the history of our country and the continent.

O.R. Tambo if he was still alive he would have turned 100 years old and indeed as part of various programmes that are planned include activities that will be hosted by our district. Honourable Speaker as these plans are going ahead we will keep on updating the Council.

We are holding this Council meeting after the sad passing of struggle stalwart and veteran of our movement uTata Ahmed Kathrada who was laid to rest on Wednesday.

Ukanti ngaxeshanye sithe sashiywa ngomnye umakhwekhwetha womzabalazo nomququzeleli ophume izandla utata Themba “Tshezi” Nontlantana waphaya eBhakubha eNtabankulu nowaziwayo ngobuchule nobuchwephesha bakhe.

May their souls respect in eternal peace.

Honourable Speaker and Councillors, we are meeting here after the delivery of three important policy pronouncements by the President and the Premier in the State of the Nation Address and in the State of the Province Address respectively. Subsequent to these addresses the Minister of Finance in the Republic of South Africa delivered the 2017 National budget speech outlining funding for various programmes and interventions announced by the President in his address to the nation.

The address by the Minister of Finance has clearly defined the ANC’s government commitment to the advancement of radical economic transformation with the aim to build an inclusive economy which will eventually lead to an inclusive growth for all.

More pleasing is fact that the budget speech has further indicated a clear redistribution of support to municipal functions in rural areas as one of the focus areas for 2017 and beyond.

As the Alfred Nzo District Municipality we need to come up with programmes that will respond to the pronouncements made in the policy speeches by central and provincial government.

In the 2017/18 financial year we will see the acceleration of delivering water, sanitation, driving local economic development and providing necessary strategies to prevent and respond during disasters as part of Community Development Service’s programmes.

We are operating in a challenging environment where communities expect us to expedite the provision of basic services to them, whilst on the other side we are faced with the narrowing fiscal envelope which in turn calls for development of new strategies to address the continuing increasing demand for service delivery by our communities.

Honourable Chief Whip and the Whippery, the draft municipal programme of action that we are presenting today to this Council has taken into consideration a number of issues that have been raised by our communities and constituencies that we serve from across the district.

Together with our local municipalities we will be going to our communities as part of our IDP/Budget outreach to table the draft programme of action in order for our citizens to comment and input into the district development plan.

When the consultations have been done and inputs from our citizens have been taken into consideration, we will come back to the house to present the final programme of action for the municipality and its budget implication to the Council in May 2017.

Madam Speaker, it is a privilege for me to address this important sitting of the Council to table the Draft Integrated Development Plan (IDP) and Budget for the 2017/18 financial year which is the start of the IDP 5 Year Plan 2016-2021, to respond to our people's needs and aspirations which they have bestowed to this Council during the August 2016 elections.

We are tabling the draft IDP and Budget to this Council for noting, as we will be going on the last round of IDP/Budget outreaches soon.

President Jacob Zuma in his address to the nation in February indicated that government is working hard to ensure reliable bulk water supply to support economic growth and to also increase access to vulnerable and rural municipalities.

As a Water Service Authority and Water Services Provider; it is our primary responsibility to accelerate provision of water and sanitation to our communities.

In response to the budget challenges that we face as this Council, we further call upon all councillors and employees to adhere to cost cutting measures in order to prevent excessive expenditure on Travel and Subsistence, consultants, venue hire, accommodation, catering, municipal vehicles, cellphones and telephones, car hire.

Honourable Speaker and Councillors, the total operating revenue is R1.1 billion has decreased by R1 billion for the 2017/18 financial year when compared to the 2016/17 Budget which was R2.1 billion.

The budget also indicates that the district municipality is highly dependent on grants as it has received R557 million and R437 million from equitable share.

Meanwhile, over the years, the district municipality has been able to maintain a sufficient reserve base and the current year budget has been appropriated with R36 million to assist in financing both operational and capital expenditure from internal funds.

As the new Council we are starting on bad footing as our reserves have been depleted and the situation compels us to leave within our means and do away with nice to have's, and also take into cognisance the cost cutting measures as adopted by the Council.

As the municipality, we have to accelerate our efforts to implement the revenue enhancement strategy and the funds generated internally will then be channeled towards acceleration of basic services to our people.

In an attempt to assist municipalities in revenue collection the National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure the following:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion

- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

Honourable Councillors, in this regard a tariff increase of 6 % from 01 July 2017 for water is recommended and this is based mainly on the Consumer Price Index (CPI) inflation rate as projected by the National Treasury.

In addition once credible systems are put in place, it is expected that 6 kℓ water per 30-day period will again be granted free of charge to all qualifying residents.

Furthermore, a tariff increase of 6% for sanitation from 01 July 2017 is also recommended and this is based on the input cost assumptions related to water.

Mr. Speaker there has been a decrease in our budget, as we have received R5 million compared to R8million that was allocated in the 2016/17 financial for Energy Efficiency and Demand Side Management Grant, which is aimed to provide subsidies to municipalities to implement Energy Efficiency and Demand Side Management initiatives within municipal infrastructure, in order to reduce electricity consumption and improve energy efficiency.

Meanwhile, the budgeted allocation for employee related costs continues to increase every year as it was R223 million in this current year and for 2017/18 financial year is provided at R236 million.

The growing amount for employee costs is a serious concern to the municipality, as every year we have continued to spend on employee costs beyond the set acceptable personnel costs to operating costs which they range between 25-40%.

Honorable Councillors, water and sanitation projects have received an allocation of R492 million for 2017/18 to fastrack provision of basic services to our people.

Included in the budget provision is an amount of R22 million (2017/18), respectively in lieu of the Alfred Nzo Development Agency.

Honorable Councillors, in response to our ageing infrastructure demands and maintenance, the budget for repairs and maintenance of the water and sanitation infrastructure is provided at R45, 2 million with the main aim to provide sustainable water and sanitation services to our communities.

The maintenance costs have increase as our infrastructure was negatively affected by a yearlong drought which necessitated that we divert some resources to this natural disaster.

We are a district with high rate of unemployment and as this Council we have a responsibility to find best strategy that will create job opportunities for our people, it is in this regard that the Expanded Public Works Programme (EPWP) for the year 2017/2018 is budgeted for as per the DORA allocation at R10 million, which indicates an increase of R4, 2 million which allocated towards finding job opportunities for the vulnerable section of our community.

Furthermore we have put aside R1 million towards preparation for the Open Council Day

which will provide a platform for the executive to table the State of the District Address which will outline a clear programme of action for the Council.

We are all well aware that the year 2017 has been set aside to celebrate the life and times of the struggle stalwart Oliver Reginald Tambo and in response we have set aside R500 000 towards the centenary celebrations and we will also be utilising various funds that also allocated to various departments as per their respective mandates.

Mr Speaker, it is with great pleasure for me to address this Council, on the sitting of the important meeting of tabling of the draft Integrated Development Plan and budget for 2017/18 financial year of the ANDM IDP 5Year Plan 2016-2021, as guided by Chapter 5 Section 25 of the Municipal Systems Act, 2000, as amended.

As mandated by the said legislation through Section 27 of the same Act, the municipality in consultation with all local municipalities drafted and adopted IDP Framework Plan that has guided the process of developing IDPs.

In conclusion Madame. Speaker and the Council, I therefore recommend that:

The Council notes the draft budget in line with section 24 of the Municipal Finance Management Act, (Act 56 of 2003) as presented to the Council.

That the attached draft IDP, Budget and budget related policies in respect of the 2017/2018 be noted as follows:

Total Operating Income	R (1 143 083 951)
Total Operating Expenditure	R 1 143 083 947
Surplus	R (3.81)

- Furthermore, the Council, acting in terms of section 75(a) of the Local Government: Municipal Systems Act (Act 32 of 2000 as amended) adopts with effect from 01 July 2017 the draft tariffs for the supply of water, the draft tariffs for sanitation services and all other tariffs as entailed in the municipality's tariff policy

Furthermore, let me take this opportunity, as we are about to step into the freedom month which is April and invite members of this Council to join in a series of activities which are aligned to the O.R. Tambo Centenary celebrations and Imbizo Focus week activities that are also scheduled to celebrate and mark the Freedom month as we reflect on the 23 years of our democracy.

We are honoured as the Alfred Nzo District Municipality as we were visited by the President of the country today to launch one of the most important economic development initiatives that we are implementing in our district, the Mbizana Rural Enterprise Development Hub which forms some of our strategies to resuscitate the agricultural sector in our district.

Recently we had bilateral talks with the Argentinian ambassador where were deliberating on various strategies that we can tap into as the district as we forge ahead in our attempt to reignite the agriculture as we believe it is the backbone of our economy.

I thank you

2.1 Budget Resolutions

On 31 March 2017 a sitting of the Council of Alfred Nzo District Municipality met in the Council Chambers at Mbizana Local Municipality to consider the annual budget and draft Integrated Development Plan of the municipality for the financial year 2017/18. A Council sitting of 31 March 2017 will further take the following resolutions:

1. In line with section 24 of the Municipal Finance Management Act, (Act 56 of 2003), council resolved to adopt:
 - 1.1. The annual budget of the municipality for the financial year 2017/18 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding
 - 1.1.5. Budget Related Policies
2. The Council meeting, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000 as amended) further recommended noting of the following:
 - 2.1. the tariffs for the supply of water
 - 2.2. the tariffs for sanitation services

2. Executive Summary

The application of sound financial management principles for the implementation of the District Municipality's budget is essential and critical to ensure that the district municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The district municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programs so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. This has resulted in partial savings to the district municipality. Key areas where savings were realized were on telephone and internet usage, printing, workshops, traveling and accommodation, and catering.

It is planned that in order to realize the revenue provisions as outlined in the budget, the district municipality needs to embark on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the district municipality needs to undertake various customer care initiatives to ensure that the district municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular's No. 51, 54, 58, 59, 66, 67, 70, 72, 74, 75, 79 and 85 were used to guide the compilation of the 2017/18 MTREF.

The main challenges experienced during the compilation of the 2017/18 MTREF can be summarized as follows:

- The ongoing difficulties in the national and local economy resulting in a weakened global economic outlook and a pattern of slow growth;
- Downward revision of South Africa's gross domestic product (GDP) forecast for 2017/18; and as well as possible downward rating of SA economic status;
- Aging and poorly maintained water and sanitation infrastructure;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water (due to tariff increase by the Department of Water Affairs), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects; and
- Continued budget provisions being made for unfunded/partially funded mandates (Municipal Health Services).

The following budget principles and guidelines directly informed the compilation of the 2017/18 MTREF:

- The 2016/17 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were used as the upper limits for the new baselines for the 2017/18 annual budget, and as well as MFMA circulars;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial unfunded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- Going back to basics and reduction of expenditure on nice to have's.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2017/18 Medium-term Revenue and Expenditure Framework:

Table 1.a Consolidated Overview of the 2017/18 MTREF

		Medium Term Revenue & Expenditure Framework (MTREF)		
		BUDGET YR. 1 2017/2018	BUDGET YR. 2 2018/2019	BUDGET YR. 3 2019/2020
	2016/2017			
	ADJUSTED BUDGET	ANNUAL BUDGET	ANNUAL BUDGET	ANNUAL BUDGET
Total Revenue	1 231 438 966	1 143 083 951	1 239 733 243	1 308 577 332
Total Operating Expenditure	(659 522 885)	(573 400 739)	(643 278 891)	(678 714 122)
Surplus/Deficit for the Year	571 915 585	569 683 208	596 454 351	629 863 208
Total Capital Expenditure	(571 915 585)	(569 683 208)	(596 454 351)	(629 863 208)
NET SURPLUS/(DEFICIT)	(1)	-3.81	-1	-2

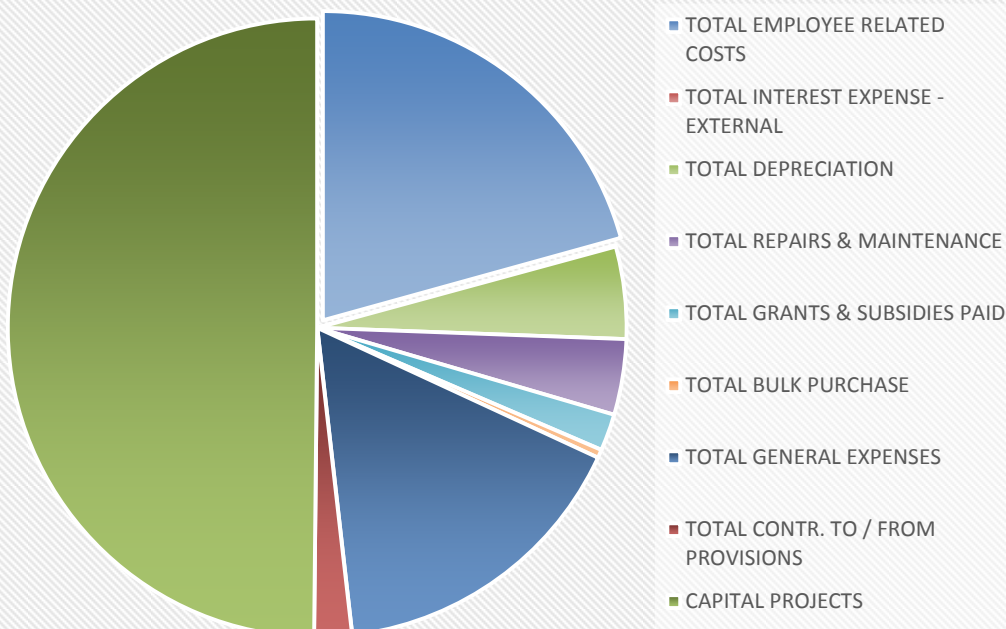
REVENUE SOURCES 2017 – 2018		
INTERNAL FUNDS	36 037 251	3.2%
GRANTS -NT / PT	565 168 000	49.4%
EQUITABLE SHARE	437 586 000	38.3%
OPERATING RESERVES / INVESTMENTS	104 292 700	9.1%
Total expenditure	1 143 083 947	100%

EXPENDITURE ALLOCATIONS

Table 1 C

OPERATING EXPENDITURE			
DESCRIPTION	AMOUNT	% TO OPEX	% TO TOT BUDGET
TOTAL EMPLOYEE RELATED COSTS	236 520 154	41.23%	20.69%
TOTAL INTEREST EXPENSE - EXTERNAL	888 000	0.15%	0.08%
TOTAL DEPRECIATION	55 000 000	9.59%	4.81%
TOTAL REPAIRS & MAINTENANCE	45 200 000	7.88%	3.95%
TOTAL GRANTS & SUBSIDIES PAID	22 000 000	3.84%	1.92%
TOTAL BULK PURCHASE	5 000 000	0.87%	0.43%
TOTAL GENERAL EXPENSES	186 292 585	32.49%	16.30%
TOTAL CONTR. TO / FROM PROVISIONS	22 500 000	3.92%	1.97%
CAPITAL PROJECTS	569 683 208	0.00%	49.84%
TOTAL BUDGET	1 143 083 947	100%	100%

OPERATING EXPENDITURE 2017 - 2018



ALFRED NZO DISTRICT MUNICIPALITY DRAFT ANNUAL BUDGET BUDGET 2017 - 2018 MTREF SUMMARY - ALL DEPARTMENTS					
DRAFT ANNUAL BUDGET 2017 - 2018	BUDGET YR. 1 2016/2017		BUDGET YR.1 2017/2018 Medium Term Revenue & Expenditure	BUDGET YR.2 Budget Year +1 2018/19	BUDGET YR.3 Budget Year +2 2019/20
	ORIGINAL BUDGET	MID-TERM ADJUSTED BUDGET	DRAFT BUDGET 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
DESCRIPTIONS	R	R	R	R	R
INTERNAL FUNDS (OWN REVENUE)	(38 608 920)	(30 343 505)	(36 037 251)	(37 839 114)	(39 731 070)
GRANTS -NT / PT	(717 381 000)	(752 786 000)	(565 168 000)	(615 766 000)	(609 389 000)
EQUITABLE SHARE	(387 047 000)	(387 047 000)	(437 586 000)	(511 925 000)	(557 420 000)
EXTERNAL LOAN	(1 000 000 000)	-	-	-	-
OPERATING RESERVES / INVESTMENTS	-	(61 261 966)	(104 292 700)	(74 203 129)	(102 037 262)
TOTAL OPERATING REVENUE	(2 143 036 920)	(1 231 438 471)	(1 143 083 951)	(1 239 733 243)	(1 308 577 332)

Total Revenue (R1 143 billion) has been decreased by 53.3% as a result of long-term loan application for capital project funding that was not approved by Treasury, increase in equitable share of R387million to R437 million and a decrease of grants from R717m to R565. The major decrease in grants is caused by the schedule 6B grant wherein the municipality receives a portion not a full portion as gazetted in DORA but this time the amount that is gazetted is the actual portion that will be transferred to the municipality. Internal funding has also dropped compared to the previous financial years due to the fact that they were used on capital projects with the anticipation that they will be refunded by the loan that was applied for specifically for capital projects but was not approved by DBSA and National Treasury.

ALFRED NZO DISTRICT MUNICIPALITY DRAFT ANNUAL BUDGET BUDGET 2017 - 2018 MTREF SUMMARY - ALL DEPARTMENTS					
DRAFT ANNUAL BUDGET 2017 - 2018	BUDGET YR. 1 2016/2017		BUDGET YR.1 2017/2018	BUDGET YR.2 2018/19	BUDGET YR.3 2019/20
	ORIGINAL BUDGET	MID-TERM ADJUSTED BUDGET	DRAFT BUDGET 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
DESCRIPTIONS	R	R	R	R	R
OPERATING EXPENDITURE					
TOTAL EMPLOYEES RELATED COST	223 060 549	232 584 291	236 520 154	250 001 803	264 001 904
TOTAL INTEREST EXPENSE - EXTERNAL	36 369 175	960 246	888 000	938 616	991 178
TOTAL DEPRECIATION	55 000 000	55 000 000	55 000 000	58 135 000	61 390 560
TOTAL REPAIRS & MAINTENANCE	41 331 901	46 831 901	45 200 000	-	-
TOTAL GRANTS AND SUBSIDIES PAID	20 000 000	20 000 000	22 000 000	23 254 000	24 556 224
TOTAL BULK PURCHASE	4 500 000	6 500 000	5 000 000	5 285 000	5 580 960
TOTAL LOSS ON DISPOSAL OF PPE	-	-	-	-	-
TOTAL GENERAL EXPENSES	281 381 399	277 646 448	186 292 585	192 380 539	203 158 085
TOTAL CONTR TO/FROM PROVISIONS	20 000 000	20 000 000	22 500 000	23 782 500	25 114 320
TOTAL OPERATING EXPENDITURE	681 643 023	659 522 885	573 400 739	643 278 891	678 714 122
OPERATING (SURPLUS) / DEFICIT	681 643 023	659 522 885	573 400 739	643 278 891	678 714 122
CAPITAL PROJECTS	1 461 393 752	571 915 585	569 683 208	596 454 351	629 863 208
TOTAL EXPENDITURE	2 143 036 775	1 231 438 470	1 143 083 947	1 239 733 242	1 308 577 330
TOTAL BUDGET (SURPLUS) /DEFICIT	(145)	(1)	-3.81	(1)	(2)

Total operating expenditure for the 2017/18 financial year has been appropriated at 573 million and translates into a percentage decrease of 13.06 per cent from 2016/17 adjusted budget. Operating expenditure continues to increase in the outer year during 2018/19 and 2019/20. A slight operating surplus of R3.81, R1 and R2 rands has been budgeted for over the MTREF.

It must also be emphasized that due to increased pressures from key departments and a spiraling growth in personnel costs coupled with necessary provisions to be made in lieu of depreciation and repairs and maintenance, year on year growth in the district municipalities budget over the MTREF is less than 5%.

The capital budget of R569 million for 2017/18 has decreased by 0.39% from the 2016/17 Adjustment Budget. This decrease is mainly caused by the decline in the DORA allocation for funding. Also, due to depleting reserves base that has been pre-dominantly utilized in the previous financial years to finance capital expenditure, provision made from internal reserves has drastically been reduced and fully utilized in MIG projects and frontloading funding since the funding from DBSA frontloading was not approved and as such reserves have been fully whopped. However, continuing to finance such project need additional funding source and as such senior managers have to be grant hunters so as to boost the financial distress.

The capital program increases to R 596 million in the 2018/19 financial year and then to R 629 million during 2019/20. Also, a portion of the capital budget will be funded from revenue generating projects including implementation of revenue enhancement strategy. In terms of GRAP format Capital Grants receivable are included in the Operating Budget. Capital Expenditure are not included in Operating Budget.

Operating expenditure is the day to day management items of the Municipality, i.e.: Salaries and Wages, Repairs and Maintenance, Debt Servicing, Depreciation on Assets, Insurance, Electricity, Telephone, Subsistence and Travelling Allowances, Fuel etc. The total budget amounts to R573 400 739. As part of the OR Tambo National Centenary program to celebrate his life and times which has been approved by the department of Arts and Culture, the municipality has also set aside some funds to contribute towards running this program that will be held at Nkantolo in Mbizana. Also the municipality needs to adhere to Circular 82 – Cost Containment Measures issued by National Treasury. Table 1 hereunder summarizes the budget per department. General Managers must manage their own budgets consulting with the Chairpersons of the Standing Committees and the Standing Committees where necessary. Allocations per line item are done by the departments themselves, as long as they don't exceed the amounts allocated per Table

1. Table 1 which is Consolidated Overview of the 2017/18 Medium Term Revenue Expenditure Forecast.

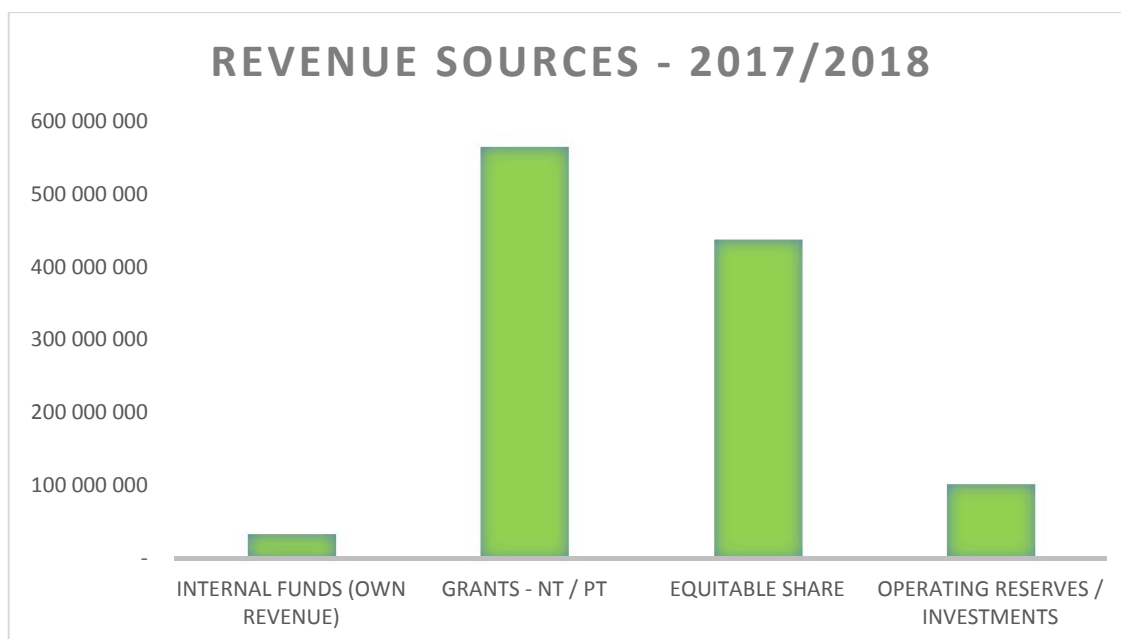
ITEM NAME	ACC. TYPE	ORIGINAL BUDGET	MID-TERM ADJUSTMENTS BUDGET	PROPOSED ANNUAL BUDGET 17/18
TOTAL DEPARTMENTAL BUDGET				
EXECUTIVE & COUNCIL		15 593 962	17 740 277	13 717 272
SPEAKER		4 150 000	5 645 000	3 965 500
CHIEF WHIP		1 615 000	1 195 000	1 055 000
MUNICIPAL MANAGER		54 147 032	55 679 390	46 352 705
SPECIAL PROGRAMS UNIT		5 790 000	5 000 000	4 760 000
PLANNING & LED		121 792 750	43 128 103	44 019 517
BTO		144 795 784	140 773 967	134 873 148
IDMS		1 615 682 076	805 377 321	753 012 918
COMMUNITY SERVICES		94 867 682	76 856 357	75 622 471
CORPORATE SERVICES		84 602 493	80 043 055	65 705 417
TOTAL BUDGET		2 143 036 779	1 231 438 470	1 143 083 947

3. Operating Revenue Framework

Table 2 Summary of revenue classified by main revenue source

REVENUE SOURCES - 2017 / 2018		
DESCRIPTION	AMOUNT	%
INTERNAL FUNDS (OWN REVENUE)	-36 037 251	3.15%
GRANTS - NT / PT	-565 168 000	49.44%
EQUITABLE SHARE	-437 586 000	38.28%
OPERATING RESERVES / INVESTMENTS	-104 292 700	9.13%
TOTAL OPERATING REVENUE	-1 143 083 951	100.00%

Table 2



Implementing a revenue enhancement turnaround strategy is the only plan to be implemented to achieve better revenue outcomes, by critically reviewing the current revenue management business models and processes being applied within the Alfred Nzo District Municipality.

To effectively deal with the current challenges, ANDM must plan and implement effective and integrated revenue enhancement strategies. To improve on the current business model it is important to identify all the critical elements that currently affect municipal revenue performance.

This review process will provide a sound platform for effective planning. The need for an integrated approach should not be taken lightly. Isolated projects that focus on symptoms like debt and access to services, rather than root cause further compound the current crisis.

For the district municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;

- Growth in the district municipality and continued economic development;
- Efficient revenue management, which aims to ensure approximately 60% per cent of annual collection rate for key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services (water and sanitation);
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- Increase ability to extend new services and recover costs;

3.1 Conventional Water Meter & Prepaid Water Meter Maintenance

To ensure that the prepaid water meters installed are maintained and kept in working order, the maintenance of these meters will be critical, in future we expect to see an increase in water meter maintenance. The maintenance process required that the correct procedures are followed to ensure that should the Auditor General (AG) require any information, all will be available. These procedures included: - Logging on the maintenance issue, issuing of a Works Order, recording the action taken by the visiting plumbers, this could include: Possible materials used; the labelling and storage of each meter being removed; recording of the prepaid meter number replaced; completion of the warranty form if required, register GPS Coordinates; register Time and Date of action, pairing of User Interface units of consumers.

Continued installation of water meters to all consumers so as to recover the related costs;

- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the district municipality.

The following table is a summary of the 2016/17 MTREF (classified by main revenue source):

DC44 Alfred Nzo - Table A1 Budget Summary

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousands										
Financial Performance										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges	15 363	18 777	25 668	28 509	19 257	19 136	-	23 591	24 770	26 009
Investment revenue	16 497	27 160	11 871	8 000	8 000	8 000	-	10 000	10 500	11 025
Transfers recognised - operational	736 736	374 159	-	-	-	-	-	619 765	637 830	667 661
Other own revenue	3 840	3 346	3 462	2 230	2 793	569	-	106 739	76 772	104 734
Total Revenue (excluding capital transfers and contributions)	772 436	423 441	41 002	38 739	30 050	27 706	-	760 095	749 872	809 429
Employee costs	151 328	189 602	198 473	213 767	224 244	224 244	-	226 753	239 678	253 100
Remuneration of councillors	7 722	8 626	8 688	9 294	9 340	9 340	-	9 767	10 324	10 902
Depreciation & asset impairment	51 887	51 430	58 862	55 000	55 000	55 000	-	55 000	58 135	61 391
Finance charges	2 175	1 641	-	-	-	-	-	888	939	991
Materials and bulk purchases	16 037	33 189	5 350	3 500	4 154	4 154	-	50 200	53 061	56 033
Transfers and grants	137 448	79 492	43 906	-	-	-	-	22 000	23 254	24 556
Other expenditure	152 629	167 218	155 400	20 000	20 000	20 000	-	207 293	214 578	226 598
Total Expenditure	519 225	531 198	470 679	301 561	312 739	312 739	-	571 901	599 968	633 571
Surplus/(Deficit)	253 211	(107 757)	(429 677)	(262 822)	(282 689)	(285 033)	-	188 194	149 904	175 859
Transfers recognised - capital	-	445 782	-	-	-	-	-	422 989	489 861	499 148
Contributions recognised - capital & contributed a	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	253 211	338 025	(429 677)	(262 822)	(282 689)	(285 033)	-	611 183	639 765	675 007
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	253 211	338 025	(429 677)	(262 822)	(282 689)	(285 033)	-	611 183	639 765	675 007
Capital expenditure & funds sources										
Capital expenditure	296 156	508 010	706 501	1 365 644	556 837	556 837	-	569 683	596 877	630 310
Transfers recognised - capital	295 801	476 583	-	1 338 594	545 457	545 457	-	567 483	594 552	627 854
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	355	31 427	-	-	-	-	-	2 200	2 325	2 456
Total sources of capital funds	296 156	508 010	-	1 338 594	545 457	545 457	-	569 683	596 877	630 310
Financial position										
Total current assets	285 420	198 045	152 478	-	-	-	-	-	-	-
Total non current assets	1 900 832	2 393 622	2 872 344	55 000	55 000	(55 000)	-	55 000	58 135	61 391
Total current liabilities	123 069	174 413	1 728 180	10 051	85	81	81	81	81	81
Total non current liabilities	34 859	28 349	34 360	-	-	-	-	-	-	-
Community wealth/Equity	2 022 832	2 360 857	23 447	120 659	557 019	568 316	568 316	570 316	570 316	567 358

Cash flows										
Net cash from (used) operating	1 399 956	1 302 681	576 138	571 783	106 456	155 154	-	688 679	721 677	761 506
Net cash from (used) investing	404 519	683 797	580 609	1 461 394	889 478	-	-	(596 454)	(629 863)	-
Net cash from (used) financing	-	-	8 910	967 767	(967 767)	-	-	-	-	-
Cash/cash equivalents at the year end	2 007 399	2 121 081	1 202 032	3 074 766	28 167	155 154	-	92 224	184 038	945 545
Cash backing/surplus reconciliation										
Cash and investments available	258 530	162 890	94 314	-	-	-	-	-	-	-
Application of cash and investments	25 953	2 396	1 607 215	-	-	-	-	-	-	-
Balance - surplus (shortfall)	232 577	160 494	(1 512 901)	-	-	-	-	-	-	-
Asset management										
Asset register summary (WDV)	1 900 832	2 357 338	3 118	-	-	-	-	-	-	-
Depreciation & asset impairment	51 887	51 430	58 862	55 000	55 000	55 000	55 000	55 000	58 135	61 391
Renewal of Existing Assets	-	-	-	91 873	91 873	91 873	91 873	(30 000)	(30 000)	-
Repairs and Maintenance	2 323	1 936	5 007	4 171	2 201	2 201	-	-	-	-
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
Households below minimum service level										
Water:	24	24	-	24	24	24	24	24	24	24
Sanitation/sewerage:	28	28	-	28	28	28	28	28	28	28
Energy:	-	3	-	4 161	4 161	6	6	6	6	6
Refuse:	184	232	-	226	226	226	226	226	226	226

Only revenue generated from water and sanitation service charges forms a significant percentage of own generated revenue. Such revenue totals R23 million (2017/18), R24 million (2018/19) and R26 million (2019/20) over the MTREF. Currently, the district municipality is performing a water meter audit, replacement and installation of new water and prepaid water meters exercise from source to tap for all consumers. This project is expected to be completed by June 2017. Linked to this project is a data cleansing project. The meter audit is being performed and all faulty meters are either being fixed or replaced as well as installation of new water meters for all consumers who do not have functioning water meters is in progress.

Included on the budget for Technical Services is amount of R10 Million to finance prepaid water meters purchases and installations costs. Likewise with all other rural district municipalities, our District municipality significantly relies on grants to finance both its operations and capital expenditure without which it could cease to exist. The implementation of revenue enhancement strategy is imperative in ensuring increase in ANDM's internal revenue.

Included in programs budgeted for that continue to be unfunded mandates is Municipal Health Services. The agreement signed between the district municipality and the relevant department has come to an end on the 16/17 financial year and this program is funded internally. Until the district municipality realizes the portion of grant to finance expenditure that goes with this function, continuing to finance it internally will remain an unfunded mandate. As a result of this anomaly and as required by the Municipal Budget and Reporting Regulations, the 2017/18 budget has not accounted for any grant to be received in lieu of this function as it has not been gazetted in the Provincial Gazette.

Operating grants and transfers totals R467 million in the 2017/18 financial year and increases to R530 million in 2018/19 and steadily increases again to R575 million in 2019/20. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 3 Operating Transfers and Grant Receipts

	CURRENT FINANCIAL YEAR 2016 - 2017		BUDGET YR.1	BUDGET YR.2	BUDGET YR.3
			2017/18 Medium Term Revenue & Expenditure Framework		
ITEM NAME	ORIGINAL BUDGET	MID-TERM ADJUSTMENTS BUDGET	Proposed Budget 2017/18	Budget Year +1 2018/19	Budget Year +1 2019/20
EQUITABLE SHARES	-387 047 000	-387 047 000	-437 586 000	-511 925 000	-557 420 000
FMG GRANT	-1 460 000	-1 460 000	-1 795 000	-2 050 000	-2 050 000
ARTS AND CULTURE (HERITAGE)		-405 000	-	-	-
HUMAN SETTLEMENTS	-	-40 000 000	-	-	-
DISASTER MNGT RESPONSE RECOVERY	-2 800 000	-2 800 000	-	-	-
MSIG	-1 790 000	-1 790 000	-2 425 000	-	-
EPWP	-6 006 000	-6 006 000	-10 280 000	-	-
MIG	-361 497 000	-361 497 000	-382 989 000	-406 420 000	-431 148 000
REGIONAL BULK INFRASTRUCTURE	-211 500 000	-211 500 000	-40 000 000	-83 441 000	-68 000 000
TRANSPORT	-2 157 000	-2 157 000	-2 285 000	-2 455 000	-2 592 000
WSIG	-101 171 000	-101 171 000	-110 000 000	-105 000 000	-90 000 000
ISDG	-5 000 000	-5 000 000	-5 394 000	-5 400 000	-5 599 000
DITP	-1 500 000	-1 500 000	-	-	-
RURAL HOUSING INFRASTR GRANT	-4 500 000	-4 500 000	-	-	-
ENERGY EFFIC & DEMAND SIDE MAN	-8 000 000	-8 000 000	-5 000 000	-6 000 000	-5 000 000
LG SETA - MANDATORY GRANT	-5 000 000	-	-5 000 000	-5 000 000	-5 000 000
LG SETA - MANDATORY GRANT	-5 000 000	-5 000 000	-	-	-
TOTAL GRANTS ALLOCATION	-1 104 428 000	-1 139 833 000	-1 002 754 000	-1 127 691 000	-1 166 809 000

4. Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition, National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective. As a district municipality, plans are that once the water meter audit exercise is completed as well as installation of water meters, a tariff determination exercise will be performed for full implementation during the 2017/18 financial year.

Better maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure

that the supply challenges are managed in future to ensure sustainability.

A tariff increase of 6 per cent from 1 July 2017 for water is proposed. This is based primary based on the CPI inflation rate of 6.1 per cent as projected by the National Treasury. In addition once credible systems are put in place it is expected that 6 kℓ water per 30-day period will again be granted free of charge to all qualifying residents.

4.1. Sanitation and Impact of Tariff Increases

A tariff increase of 6 per cent for sanitation from 1 July 2017 is also proposed. This is based on the input cost assumptions related to water. The proposed tariff increases remain the same as those proposed in the current year. Due to prevailing economic conditions, increasing these beyond the current inflation rate would impact negatively on consumers ability to service their debts.

5.2 Operating Expenditure Framework

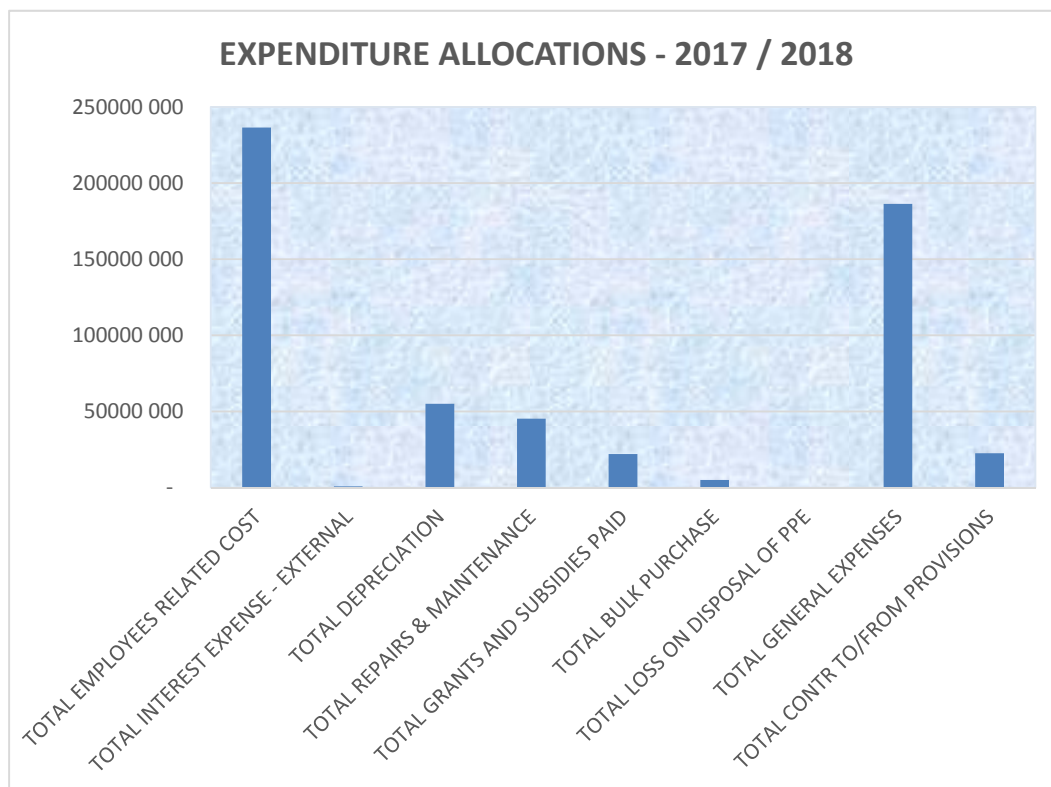
The District Municipality's expenditure framework for the 2017/18 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Ensuring that the district municipality implements the back to basics exercise so as to reduce non-priority spending.

The following table is a high level summary of the 2017/18 budget and MTREF (classified per main type of operating expenditure)

DC44 Alfred Nzo - Table A4 Budgeted Financial Performance (revenue and expenditure)

SOP Form 42 - Table 10: Budgeted Financial Statements (Revenue and Expenditure)											
Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source											
Property rates	2	-	-	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	15 363	16 960	25 668	26 000	16 748	16 010	-	20 054	21 057	22 110
Service charges - sanitation revenue	2	-	1 816	-	2 509	2 509	3 126	-	3 537	3 714	3 899
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - other											
Rental of facilities and equipment		255	184	234	330	131	131		401	421	442
Interest earned - external investments		16 497	27 160	11 871	8 000	8 000	8 000		10 000	10 500	11 025
Interest earned - outstanding debtors		1 426	-	-					-	-	-
Dividends received		-							-	-	-
Fines		-							-	-	-
Licences and permits		-							-	-	-
Agency services		4	31	20					-	-	-
Transfers recognised - operational		736 736	374 159						619 765	637 830	667 661
Other revenue	2	1 528	3 131	3 208	1 900	2 662	438	-	106 338	76 350	104 292
Gains on disposal of PPE		627		-	-	-	-		-	-	-
Total Revenue (excluding capital transfers and contributions)		772 436	423 441	41 002	38 739	30 050	27 706	-	760 095	749 872	809 429
Expenditure By Type											
Employee related costs	2	151 328	189 602	198 473	213 767	224 244	224 244	-	226 753	239 678	253 100
Remuneration of councillors		7 722	8 626	8 688	9 294	9 340	9 340		9 767	10 324	10 902
Debt impairment	3	14 014	13 543	22 129	20 000	20 000	20 000		22 500	23 783	25 114
Depreciation & asset impairment	2	51 887	51 430	58 862	55 000	55 000	55 000	-	55 000	58 135	61 391
Finance charges		2 175	1 641						888	939	991
Bulk purchases	2	2 338	4 078	5 350	3 500	4 154	4 154	-	5 000	5 285	5 581
Other materials	8	13 699	29 111						45 200	47 776	50 452
Contracted services		49 023	41 100	31 034	-	-	-	-	122 832	125 303	132 324
Transfers and grants		137 448	79 492	43 906	-	-	-	-	22 000	23 254	24 556
Other expenditure	4, 5	89 592	112 238	102 238	-	-	-	-	61 961	65 492	69 160
Loss on disposal of PPE			337						-		
Total Expenditure		519 225	531 198	470 679	301 561	312 739	312 739	-	571 901	599 968	633 571
Surplus/(Deficit)		253 211	(107 757)	(429 677)	(262 822)	(282 689)	(285 033)	-	188 194	149 904	175 859
Transfers recognised - capital			445 782						422 989	489 861	499 148
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets											
Surplus/(Deficit) after capital transfers & contributions		253 211	338 025	(429 677)	(262 822)	(282 689)	(285 033)	-	611 183	639 765	675 007
Taxation											
Surplus/(Deficit) after taxation		253 211	338 025	(429 677)	(262 822)	(282 689)	(285 033)	-	611 183	639 765	675 007
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		253 211	338 025	(429 677)	(262 822)	(282 689)	(285 033)	-	611 183	639 765	675 007
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		253 211	338 025	(429 677)	(262 822)	(282 689)	(285 033)	-	611 183	639 765	675 007



The budgeted allocation for employee related costs for the 2017/18 financial year totals R236.5 million, which equals 41.24 per cent of the total operating expenditure. In terms of the South African Local Government Association (SALGA), salary increases have been factored into this budget at a percentage increase of 7.1 per cent for the 2017/18 financial year. An annual increase of 5.9 and 5.8 per cent has been included in the two outer years of the MTREF (CPI plus 1%). As part of the District Municipalities cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards.

The cost associated with the remuneration of councilors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the district municipality's budget and a provision of 7.1 percent has accordingly been made to cushion such costs.

A significant provision has been made in lieu of depreciation expense (R55 million – 2017/18, R58 million – 2018/19 and R61 million – 2019/20 respectively). This is in line with the continued capital infrastructure program being implemented by the district municipality on an annual basis. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. It must also be noted that the implementation of GRAP 17 accounting standard has meant bringing a range of assets

previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

The district municipality has made a provision of R45 million in the 2017/18 budget for repairs and maintenance. Whilst this is not in line with the National Treasury's requirement of 6.35% of the total operating cost, provision to be made from the Total Property, Plant and Equipment (PPE) in line with MFMA circular number 55, considering the current budgetary constraints, the district municipality can only stretch itself this far in order to make the necessary provision due to budgetary constraints, further this will have to be assessed before the final budget is complete as in 2016/17 budget the repairs and maintenance were budgeted at 5 per cent. This is however a significant decrease of R1.6 million from the provision made in the current year adjusted budget (R46.8 million). The decrease is as a result of properly accounting for costs incurred on all rural water scheme operators costs that have been transferred to salaries and wages in line with AG's recommendations.

As part of the review of the local government infrastructure grant framework, National Treasury has announced in the 2016 Division of Revenue Bill that the rules in the municipal infrastructure grant (MIG) framework will be amended to allow funds to be used to refurbish and replace infrastructure in the future. This will assist municipalities in the long-run as they do not have sufficient funding to make such provisions from their own budgets.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital).

Bulk purchases are directly informed by the purchase of water from the Department of Water Affairs (DWA). The total provision made in lieu of bulk water purchases during 2017/18 is R5 million.

6. Capital expenditure

Table 5 Summary of Capital Expenditure Municipal Vote

DC44 Alfred Nzo - Supporting Table SA35 Consolidated future financial implications of the capital budget

Vote Description R thousand	Ref	2017/18 Medium Term Revenue & Expenditure Framework			Forecasts			
		Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Present value
Capital expenditure	1							
Vote 1 - Exwcutive and Council		700	740	781				
Vote 2 - Planning and Development		-	-	-				
Vote 3 - Bugdet and Treasury		1 962	2 074	2 190				
Vote 4 - Technical service		544 272	570 017	601 945				
Vote 5 - Community services		10 750	11 363	11 999				
Vote 6 - Corporate Service		12 000	12 684	13 394				
<i>List entity summary if applicable</i>								
Total Capital Expenditure		569 683	596 877	630 310	-	-	-	-
Future operational costs by vote	2							
Vote 1 - Exwcutive and Council								
Vote 2 - Planning and Development								
Vote 3 - Bugdet and Treasury								
Vote 4 - Technical service								
Vote 5 - Community services								
Vote 6 - Corporate Service								
Total future operational costs		-	-	-	-	-	-	-
Future revenue by source	3							
Property rates								
Service charges - electricity revenue								
Service charges - water revenue								
Service charges - sanitation revenue								
Service charges - refuse revenue								
Service charges - other								
Rental of facilities and equipment								
<i>List other revenues sources if applicable</i>								
<i>List entity summary if applicable</i>								
Total future revenue		-	-	-	-	-	-	-
Net Financial Implications		569 683	596 877	630 310	-	-	-	-

For 2017/18 a total budget of R544 million has been appropriated for the development of infrastructure which equates to a 95.5 per cent of the total capital budget of ANDM, the figure above includes R 10 million for the purchase of prepaid water meters and installations cost for specifically assist in the implementation of revenue enhancement project.

Whilst it makes sense to finance projects internally, consideration should be made to the extent of internal funds available to finance such projects.

7.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

7.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses will be provided in the final budget. Attached is the provisional report.

DC44 Alfred Nzo Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Funding measures	-	-										
Cash/cash equivalents at the year end - R'000	18(1)b	1	2 007 399	2 121 081	1 202 032 (1 512 901)	3 074 766	28 167	155 154	-	92 224	184 038	945 545
Cash + investments at the yr end less applications - R'000	18(1)b	2	232 577	160 494	901)	-	-	-	-	-	-	-
Cash year end/monthly employee/supplier payments	18(1)b	3	59.4	64.5	41.2 (429	172.2 (262	1.2 (282	7.2 (285	-	2.4	4.7	22.7
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	253 211	338 025	677)	822)	689)	033)	-	666 183	697 900	736 397
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	16.2%	30.7%	5.1%	(38.5%)	(6.6%)	(106.0%)	16.5%	(1.0%)	(1.0%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	455.1%	260.9%	128.9%	100.6%	322.2%	360.6%	0.0%	100.0%	100.0%	100.0%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	91.2%	72.1%	86.2%	70.2%	103.9%	104.5%	0.0%	95.4%	96.0%	96.6%
Capital payments % of capital expenditure	18(1)c;19	8	(68.3%)	(57.1%)	0.0%	(105.4%)	(156.3%)	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	2079.0%	(4258.9%)	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	210.7%	40.7%	(100.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	(66.7%)	50.4%	(100.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	0.1%	0.1%	0.2%	7.6%	4.0%	(4.0%)	0.0%	0.0%	0.0%	0.0%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	6.6%	16.1%	16.2%	0.0%	0.0%	0.0%	0.0%

The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

7.3 Monthly average payments covered by cash or cash equivalents/ Cash flow Statement

DC44 Alfred Nzo - Supporting Table SA30 Consolidated budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash Receipts By Source													1		
Property rates												-			
Service charges - electricity revenue												-			
Service charges - water revenue	1 671	1 671	1 671	1 671	1 671	1 671	1 671	1 671	1 671	1 671	1 671	1 671	20 054	21 057	22 110
Service charges - sanitation revenue	294	294	294	294	294	294	294	294	294	294	294	294	3 532	3 709	3 894
Service charges - refuse revenue												-			
Service charges - other												-			
Rental of facilities and equipment	33	33	33	33	33	33	33	33	33	33	33	33	401	421	442
Interest earned - external investments	833	833	833	833	833	833	833	833	833	833	833	833	10 000	10 500	11 025
Interest earned - outstanding debtors												-			
Dividends received												-			
Fines, penalties and forfeits												-			
Licences and permits												-			
Agency services												-			
Transfer receipts - operational	38 957	38 957	38 957	38 957	38 957	38 957	38 957	38 957	38 957	38 957	38 957	38 957	467 480	530 375	575 069
Other revenue	171	171	171	171	171	171	171	171	171	171	171	171	2 050	2 152	2 260
Cash Receipts by Source	41 960	41 960	41 960	41 960	41 960	41 960	41 960	41 960	41 960	41 960	41 960	41 960	503 517	568 214	614 800
Other Cash Flows by Source															
Transfer receipts - capital	44 606	44 606	44 606	44 606	44 606	44 606	44 606	44 606	44 606	44 606	44 606	44 606	535 274	597 316	591 740
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)															
Proceeds on disposal of PPE												-			
Short term loans												-			
Borrowing long term/refinancing												-			
Increase (decrease) in consumer deposits												-			
Decrease (Increase) in non-current debtors												-			
Decrease (increase) other non-current receivables												-			
Decrease (increase) in non-current investments												-			
Total Cash Receipts by Source	86 566	86 566	86 566	86 566	86 566	86 566	86 566	86 566	86 566	86 566	86 566	86 566	1 038 791	1 165 530	1 206 540
Cash Payments by Type															
Employee related costs	18 896	18 896	18 896	18 896	18 896	18 896	18 896	18 896	18 896	18 896	18 896	18 896	226 753		
Remuneration of councillors	814	814	814	814	814	814	814	814	814	814	814	814	9 767		
Finance charges	74	74	74	74	74	74	74	74	74	74	74	74	888	939	991
Bulk purchases - Electricity												-			
Bulk purchases - Water & Sewer	417	417	417	417	417	417	417	417	417	417	417	417	5 000	5 285	5 581
Other materials	3 767	3 767	3 767	3 767	3 767	3 767	3 767	3 767	3 767	3 767	3 767	3 767	45 200		
Contracted services												-			
Transfers and grants - other municipalities												-			
Transfers and grants - other	1 833	1 833	1 833	1 833	1 833	1 833	1 833	1 833	1 833	1 833	1 833	1 833	22 000	23 254	24 556
Other expenditure	15 524	15 524	15 524	15 524	15 524	15 524	15 524	15 524	15 524	15 524	15 524	15 524	186 293	192 381	203 158
Cash Payments by Type	41 325	41 325	41 325	41 325	41 325	41 325	41 325	41 325	41 325	41 325	41 325	41 325	495 901	221 858	234 286

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. It is especially important to consider the position should the municipality be faced with an expected disaster that threatens revenue collection such as water or service charges boycotts. As part of the 2017/2018 MTREF the municipalities decrease in cash position causes the ratio to move downwards and then increase slightly for outer years. As indicated above the Municipality aims to archive at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

The repayment of R 120 million loan from DBSA is illustrated above to be R888 thousand. ANDM cash flow is negative showing a decrease in internal funding. The balance of R26 million the two outer years analyses of cash flow shows an increase in cash balance which is R 356 million for 2018/19 and R 699 million for 2019/20

7.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

7.5 Debt impairment expense as a percentage of billable revenue.

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

7.6 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 100 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

7.7 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded.

Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (Dora) have been budgeted for. The Municipality has budgeted for all transfers.

7.8 Consumer debtors change (Current and Non-current)

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the Municipality's policy of settling debtor's accounts within 30 days.

7.9 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

7.10 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability.

Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash: • What are the predicted cash and investments that are available at the end of the budget year? • How are those funds used? • What is the net funds available or funding shortfall? A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Total Operating Revenue			-	-	-	-	-	-	-	503 919	568 636	615 243
Total Operating Expenditure			-	-	-	-	-	-	-	568 389	538 600	569 235
Operating Performance Surplus/(Deficit)			-	-	-	-	-	-	-	(64 471)	30 036	46 007
Cash and Cash Equivalents (30 June 2012)										9 583		
Revenue												
% Increase in Total Operating Revenue				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.8%	8.2%
% Increase in Property Rates Revenue				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Increase in Electricity Revenue				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Increase in Property Rates & Services Charges				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%
Expenditure												
% Increase in Total Operating Expenditure				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	(5.2%)	5.7%
% Increase in Employee Costs				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.9%	5.8%
% Increase in Electricity Bulk Purchases				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average Cost Per Budgeted Employee Position (Remuneration)					0	0				0		
Average Cost Per Councillor (Remuneration)					0	0				0		
R&M % of PPE			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Asset Renewal and R&M as a % of PPE			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Debt Impairment % of Total Billable Revenue			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	95.4%	96.0%	96.6%
Capital Revenue												
Internally Funded & Other (R'000)			-	-	-	-	-	-	-	34 409	(439)	38 570
Borrowing (R'000)			-	-	-	-	-	-	-	-	-	-
Grant Funding and Other (R'000)			-	-	-	-	-	-	-	535 274	597 316	591 740
Internally Generated funds % of Non Grant Funding			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Borrowing % of Non Grant Funding			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grant Funding % of Total Funding			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	94.0%	100.1%	93.9%
Capital Expenditure												
Total Capital Programme (R'000)			-	-	-	-	-	-	-	569 683	596 877	630 310
Asset Renewal			-	-	-	-	-	-	-	-	-	-
Asset Renewal % of Total Capital Expenditure			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash												
Cash Receipts % of Rate Payer & Other			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	98.5%	98.5%	98.5%
Cash Coverage Ratio			-	-	-	-	-	-	-	0	0	0
Borrowing												
Credit Rating (2009/10)										0		
Capital Charges to Operating			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.2%	0.2%
Borrowing Receipts % of Capital Expenditure			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Reserves												
Surplus/(Deficit)			-	-	-	-	-	-	-	18 219	19 130	20 087
Free Services												
Free Basic Services as a % of Equitable Share			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Free Services as a % of Operating Revenue (excl operational transfers)			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
High Level Outcome of Funding Compliance												
Total Operating Revenue			-	-	-	-	-	-	-	503 919	568 636	615 243
Total Operating Expenditure			-	-	-	-	-	-	-	568 389	538 600	569 235
Surplus/(Deficit) Budgeted Operating Statement			-	-	-	-	-	-	-	(64 471)	30 036	46 007
Surplus/(Deficit) Considering Reserves and Cash Backing			-	-	-	-	-	-	-	18 219	19 130	20 087
MTREF Funded (1) / Unfunded (0)	15	1	1	1	1	1	1	1	1	1	1	1
MTREF Funded ✓ / Unfunded ✗	15	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

8 Municipal manager's quality certificate

I, municipal manager of Alfred Nzo District Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name_____

Municipal manager of Alfred Nzo District Municipality (DC44)

Signature_____

Date_____